

CITY OF LIME SPRINGS

AGREED-UPON PROCEDURES

YEARS ENDED JUNE 30, 2009, JUNE 30, 2008, JUNE 30, 2007  
AND THE FOUR MONTHS ENDED OCTOBER 31, 2009

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### CITY OF LIME SPRINGS

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**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To the City Council of the  
City of Lime Springs  
Lime Springs, Iowa

We have performed the procedures enumerated below, which were agreed to by the City of Lime Springs, solely to assist the Mayor and City Council in evaluating the City Clerk's accounting functions and accuracy of City reports as of and for the years ended June 30, 2009, June 30, 2008, June 30, 2007 and the four months ended October 31, 2009. We also examined specific financial transactions of the City of Lime Springs as of and for the years ended December 31, 2002 to December 31, 2007 as requested by the City Council. City of Lime Spring's management is responsible for the entity's accounting records. This agreed-upon procedures engagement was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

**Background Information**

In November 2009, while the City Clerk was on medical leave, City Officials discovered an envelope in the City Clerk's desk containing a utility bill marked paid with \$50 written on the envelope. The City Officials did not find a deposit into the City's checking account for the bill payment. They became suspicious and began comparing the deposits recorded on the utility billing software to the deposits which were made to the City's bank account. It appeared there were many deposits recorded on the utility billing software which did not clear the bank account. It was noted that some City residents paid their utility bills to the City with cash rather than a check. The City did not maintain a petty cash fund, so all receipts should have been deposited to the City's bank account. At this point City Officials contacted our office for advice.

After the discovery of the missing utility payment deposits City Officials began to review the payroll checks and reimbursement checks to the City Clerk to see if there were any unauthorized amounts. It appeared there were some unauthorized payroll disbursements and also expenses which were paid by the City directly, then paid as a reimbursement to the Clerk.

The City Clerk was responsible for the City's finances as well as keeping the financial records for the City. There was no segregation of duties for the accounting functions of the City, and there were few internal controls put in place. The expenditures were to be approved by the City Council and checks were to be cosigned by the Mayor. The Clerk worked independently on the City financial records with little oversight by the City Council. The Clerk was the only one who reviewed and reconciled the City bank statements to the financial statements.

The City Officials reviewed the City's financial records from 2002 to the time the City Clerk was suspended from work and hired our office to examine transactions which they believed were not appropriate. The periods for which we were requested to examine transactions are listed above. The Summary of Findings resulting from our procedures are listed on Exhibit A. Our findings on the financial transactions for the period January 1, 2002 to June 30, 2006 are included in Exhibits B, E, F and 1.

Our procedures and findings on City of Lime Spring's financial reports and the City Clerk's accounting functions for the years ended June 30, 2009, June 30, 2008, June 30, 2007 and the four months ended October 31, 2009, as well as the examination of specific financial transactions for the years ended December 31, 2002 to December 31, 2007 are as follows:

#### Controls

1. Document the City's policies/practices/procedures regarding financial transactions. Evaluate for adequacy and identify risks that may exist for significant transaction cycles. Develop appropriate tests.

We discussed the City's policies/practices/procedures regarding financial transactions with the Mayor and developed tests to perform.

#### Expenditures

1. Scan bank statements/cancelled check for checks signed by the City Clerk. Examine supporting documents for propriety and approval of payment.

See the attached Exhibits B, C, and D for details. City officials were unable to locate supporting documentation for most of the checks signed by the City Clerk. It was noted there were a number of checks which had the Mayor's name on the signature line, but the Mayor indicated it was not his signature. Until these procedures were performed the Mayor had not reviewed any of the bank statements/cleared checks. The City Clerk controlled these documents and did not allow the Mayor or the City Council to review them. The Mayor reviewed all cancelled checks from 7/1/06-10/31/09 and noted the checks that were not signed by him. See the attached Exhibit C for details. Exhibit C includes numerous duplicate checks to vendors which appear unreasonable for a small city like Lime Springs. City officials should request verification of the accounts to which the payments were credited. The Mayor also reviewed all cancelled checks from 7/1/06-10/31/09 for the Community Center Account and noted checks that were signed by the Clerk were unauthorized and questioned the purpose of these checks. Some payments listed on Exhibit D may not meet the requirements of public purpose as defined in an Attorney General's Opinion dated April 25, 1979 since the public benefits to be derived were not documented. See the attached Exhibit D for details.

2. Identify/list all checks to the Clerk;
  - a. Ensure reimbursements are appropriate and properly supported.

There appears to be expenses that paid directly and then later reimbursed to the Clerk or reimbursed twice. See the attached Exhibit B for details.

3. Review a specific listing provided of reimbursements to the City Clerk for expenses ranging from the calendar years ended December 31, 2003 to December 31, 2007. Trace the disbursements to the applicable bank statements. Determine if the City Clerk was paid more than once for certain expenses.

We reviewed the listing of expense reimbursements which were questioned by City Officials. It appears there are duplicate reimbursements for the years 2004-2007. See the attached Exhibit B for details.

#### Payroll

1. Review the City Clerk's W-2's and compare to compensation authorized by the City Council and the actual checks issued to the Clerk for payroll.

There was no formal authorization of the City Clerk's salary recorded in the City Council minutes. The payroll records show a salary amount paid each month which the Mayor believes to be what the City Council agreed to pay the City Clerk. The payroll records also show an additional salary each month which the Mayor does not believe was approved by the City Council. The unauthorized additional payroll amounts totaled \$3,600 for 2008, \$2,700 for 2007, and \$2,400 for 2006. There also was additional FICA tax and IPERS paid by the City as a result of the unauthorized salary additions. See the attached Exhibit F for details.

2. Recalculate or scan the gross to net calculation to ensure appropriate. Ensure payroll amounts are authorized (in terms of the amount and frequency). Determine if the employee's share of IPERS contributions were properly withheld from the Clerk's gross pay.

The gross to net calculation of the City Clerk's paychecks appeared to be accurate if the unauthorized amounts listed above are included in the calculation. The frequency of the payroll during the period which our procedures covered appeared to be in accordance with the authorized frequency. The employee's share of IPERS contributions was properly withheld from the Clerk's gross pay if the unauthorized amounts listed above are included in the calculation.

3. Review the general ledger showing the City Clerk's payroll checks for the calendar years ended December 31, 2002 and December 31, 2003. Trace the payroll disbursements to the applicable bank statements. Determine if the City Clerk was paid the correct number of monthly salary payments for each year.

We traced the payroll disbursements listed on the 2002 and 2003 general ledgers to the applicable bank statements, all of which cleared the bank account. The Clerk was to be paid once per month, but some months had additional paychecks to the Clerk. No authorization for the extra pay was included in the minutes. It appears there were unauthorized payroll disbursements made in 2002 and 2003 to the City Clerk. See the attached Exhibit F for details.

#### Receipts

1. Compare utility billing receipts listed on the QuickBooks software with deposits to the bank account. List variances by account number.

There is a discrepancy between the utility payments recorded on the QuickBooks software and the deposits of payments which cleared the City's bank account. It appears there were payments received which were not deposited to the bank account. See the attached Exhibit G for details.

2. Compare total utility receipts listed on the QuickBooks software to receipts listed on the general ledger.

There were less deposits for utility receipts recorded on the City's general ledger than were recorded on the QuickBooks software used to track the City resident utility accounts. It appears there were payments received which were not recorded on the City's general ledger. See the attached Exhibit H for details.

3. Determine if the City Clerk was billed for utilities and trace payments made to the deposit tickets.

City Officials prepared a recalculation based on the meter reading records of the utilities which should have been billed to the City Clerk from August 2003 to present versus the amounts which were actually billed to the Clerk. We have reviewed the calculations and they appear to be reasonable. It appears the City Clerk was under billed for utilities. The City Clerk's payments recorded on the QuickBooks software appear to have been deposited to the City's bank account. See the attached Exhibit I for details.

4. Scan deposit slips to determine if any amount was withheld from deposits.

No withholdings from deposits were noted.

5. Identify any other collections for which controls are not in place to ensure complete deposits. Test as appropriate.

We noted the City had revenues from the City pool for which minimal controls were in place. We determined there was no way to accurately test the pool revenue deposits to ensure their completeness. There were City employees other than the Clerk who were responsible for the collection and deposit of City pool revenues. No other procedures were performed.

#### Other Matters

1. Financial records unrelated to the City were maintained on City computers. City computers should be used for only City purposes, not for personal use.
2. The Clerk's computation of compensatory time for one employee was incorrect for the period December 16, 2006–December 7, 2008. This resulted in no additional cost to the City.

We were not engaged to, and did not conduct an audit, the objective of which would be the expression of an opinion on the specified elements, accounts or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the members of the City of Lime Springs, and is not intended to be and should not be used by anyone other than those specified parties.

*Hacker, Nelson & Co., P.C.*

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT A  
 SUMMARY OF FINDINGS

		Amount		
Description	Exhibit	Improper	Unsupported	Total
Expenditures				
Duplicate Reimbursements	B	\$ 755.90		\$ 755.90
Undocumented Reimbursements	B		913.74	913.74
Unauthorized Disbursements	C		23,616.31	23,616.31
Unauthorized Disbursements	D		52,860.46	52,860.46
Payroll				
Unauthorized Amounts Added	E	9,865.80		9,865.80
Unauthorized Disbursements	F	6,189.74		6,189.74
Receipts				
Undeposited Receipts	G	15,104.25		15,104.25
Clerk Utilities Discrepancy	I	752.93		752.93
Total		\$ 32,668.62	\$ 77,390.51	\$ 110,059.13

See Independent Accountant's Report

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT B  
 Duplicate and Undocumented Reimbursements

Expenditures

We examined the supporting documents for several checks issued to the the City Clerk. The following checks appear to be reimbursement checks paying the same expenses twice.

Date	Check #	Payee	Total Amount	Duplicate Expense
5/28/04	5804	Larry Gates	\$ 127.00	\$ 127.00
7/19/04	5956	Larry Gates	94.55	94.55
7/26/04	5967	Household Credit Servces - Larry Gates	150.00	150.00
8/27/04	6049	Household Credit Servces - Larry Gates	224.35	224.35
7/26/06	7234	Larry Gates - Partial duplicate	430.70	160.00
			<u>\$ 1,026.60</u>	<u>\$ 755.90</u>

The following checks are reimbursement checks not fully substantiated by supporting documents.

Date	Check #	Payee	Total Amount	Expense per Supporting Documents	Unsupported Expense
8/29/07	8002	Larry Gates	\$ 373.96	\$ 199.36	\$ 174.60
4/28/08	8382	HSBC Card Services - Larry Gates	210.11	-	210.11
8/27/08	8599	HSBC Card Services - Larry Gates	409.63	210.56	199.07
10/1/08	8631	HSBC Card Services - Larry Gates	329.96	-	329.96
			<u>\$ 1,323.66</u>	<u>\$ 409.92</u>	<u>\$ 913.74</u>

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT C  
 CHECKS NOT SIGNED BY MAYOR -SUMMARY  
 July 1, 2006 - September 30, 2009

	TOTAL	COUNCIL APPROVED	ADD'L OR DUPLICATE CK TO VENDOR	AMOUNT NOT EQUAL TO APPROVAL	OTHER UNAUTHORIZED
JULY TO DECEMBER 2006	\$ 4,169.24	\$ 1,766.52	\$ 1,717.84	\$ -	\$ 684.88
JANUARY TO DECEMBER 2007	25,859.36	9,281.64	2,382.52	12,801.94	1,393.26
	-				
JANUARY TO DECEMBER 2008	22,240.27	13,169.82	2,602.92	848.44	5,619.09
	-				
JANUARY TO SEPTEMBER 2009	<u>11,538.09</u>	<u>5,067.30</u>	<u>1,378.72</u>	<u>4,456.37</u>	<u>635.70</u>
	<u>\$ 63,806.96</u>	<u>\$ 29,285.28</u>	<u>\$ 8,082.00</u>	18,106.75	<u>\$ 8,332.93</u>
AMOUNT APPROVED	<u>40,190.65</u>	<u>29,285.28</u>		<u>10,905.37</u>	
TOTAL UNAUTHORIZED DISBURSEMENTS	<u>\$ 23,616.31</u>	<u>\$ -</u>	<u>\$ 8,082.00</u>	<u>\$ 7,201.38</u>	<u>\$ 8,332.93</u>

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT C  
 CHECKS NOT SIGNED BY MAYOR - DETAIL  
 July 1, 2006 - September 30, 2009

Checks which were not signed by the Mayor, but had his name on the signature line.

Date	Check #	Amount	Payee	COUNCIL APPROVED	ADD'L OR DUPLICATE CK TO VENDOR	AMOUNT NOT EQUAL TO APPROVAL	OTHER UNAUTHORIZED
7/4/2006	7182	\$ 82.29	Farm Plan				82.29
7/10/2006	7207	584.45	IPERS	584.45			
7/10/2006	7208	115.00	Iowa Telecom		115.00		
7/14/2006	7216	185.52	Iowa Telecom		185.52		
8/4/2006	7287	112.06	Iowa Telecom		112.06		
8/15/2006	7304	131.40	Cresco Shopper Inc.				131.40
8/15/2006	7305	591.56	IPERS	591.56			
8/29/2006	7309	117.00	Postmaster				117.00
9/1/2006	7326	173.34	Iowa Telecom		173.34		
9/8/2006	7346	66.00	Hygienes Laboratory				66.00
9/8/2009	7345	111.62	Iowa Telecom		111.62		
9/27/2006	7357	172.85	Iowa Telecom		172.85		
10/4/2006	7392	111.26	Iowa Telecom		111.26		
10/30/2006	7415	169.01	Iowa Telecom		169.01		
10/27/2006	7414	102.49	HSBC Card Services				102.49
11/10/2006	7459	104.45	Cresco Shopper Inc.				104.45
11/16/2006	7461	590.51	IPERS	590.51			
11/10/2006	7460	111.38	Iowa Telecom		111.38		
11/17/2006	7467	81.25	Computer Professionals				81.25
12/15/2006	7511	172.20	Iowa Telecom		172.20		
12/8/2006	7508	110.93	Iowa Telecom		110.93		
12/12/2006	7510	172.67	Iowa Telecom		172.67		
		<u>4,169.24</u>		<u>1,766.52</u>	<u>1,717.84</u>	<u>-</u>	<u>684.88</u>
1/5/2007	7553	150.00	Bankers Trust Company				150.00
1/5/2007	7551	112.37	Iowa Telecom		112.37		
1/17/2007	7555	71.17	Iowa Telecom		71.17		
1/5/2007	7552	30.00	IA Municipal Finance Officers				30.00
2/8/2007	7599	108.05	Iowa Telecom		108.05		
3/14/2007	7653	256.45	Iowa Telecom		256.45		
4/6/2007	7703	119.41	Iowa Telecom		119.41		
4/9/2007	7704	600.66	IPERS			600.66	
5/3/2007	7741	132.18	Iowa Telecom		132.18		
5/3/2007	7740	114.66	Iowa Telecom				114.66
6/15/2007	7831	118.60	Iowa Telecom		118.60		
6/19/2007	7832	343.28	H&H Foodservice				343.28
6/20/2007	7833	181.00	Iowa State University				181.00
6/21/2007	7834	50.00	NO. Central IA Reg Inspection				50.00
6/21/2007	7834	50.00	NO. Central IA Reg Inspection				50.00
6/29/2007	7837	1,945.64	Alliant Energy	1,945.64			
6/29/2007	7838	927.38	Hawkeye Tri-County Electric	927.38			
6/29/2007	7840	101.65	H&H Foodservice				101.65

See Independent Accountant's Report

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT C  
 CHECKS NOT SIGNED BY MAYOR - DETAIL  
 July 1, 2006 - September 30, 2009

Checks which were not signed by the Mayor, but had his name on the signature line.

Date	Check #	Amount	Payee	COUNCIL APPROVED	ADD'L OR DUPLICATE CK TO VENDOR	AMOUNT NOT EQUAL TO APPROVAL	OTHER UNAUTHORIZED
6/29/2007	7839	75.00	Bernard Roesler				75.00
7/5/2007	7890	166.92	Farm Plan				166.92
7/5/2007	7889	32.90	Cresco Shopper Inc.				32.90
7/12/2007	7903	116.80	Iowa Telecom		116.80		
7/17/2007	7916	97.85	H&H Foodservice				97.85
8/13/2007	7958	7,828.01	Hawkeye Sanitation Inc.			7,828.01	
8/15/2007	7983	124.29	Iowa Telecom		124.29		
8/22/2007	7996	4,373.27	Alliant Energy			4,373.27	
8/20/2007	7995	625.66	IPERS	625.66			
8/31/2007	8003	757.62	Hawkeye Tri-County Electric	757.62			
9/17/2007	8035	702.39	IPERS		702.39		
9/13/2007	8037	114.03	Iowa Telecom		114.03		
9/15/2007	8034	711.46	IPERS	711.46			
9/15/2007	8036	4,181.17	Hawkeye Sanitation Inc.	4,181.17			
10/1/2007	8073	33.84	Hawkeye Tri-County Electric		33.84		
10/8/2007	8082	115.95	Iowa Telecom		115.95		
11/13/2007	8140	113.16	Iowa Telecom		113.16		
11/13/2007	8141	31.99	Iowa Telecom		31.99		
12/7/2007	8189	132.71	Iowa Telecom	132.71			
12/10/2007	8196	111.84	Iowa Telecom		111.84		
		<u>25,859.36</u>		<u>9,281.64</u>	<u>2,382.52</u>	<u>12,801.94</u>	<u>1,393.26</u>
1/8/2008	8233	3,319.78	BCBS				3,319.78
1/15/2008	8235	33.00	Hygienic Laboratory				33.00
1/8/2008	8232	294.67	Iowa Telecom		294.67		
2/7/2008	8282	136.77	Iowa Telecom	136.77			
2/8/2008	8284	467.29	Iowa Telecom		467.29		
2/8/2008	8285	100.70	Cresco Shopper Inc.				100.70
2/19/2008	8291	177.24	Iowa Telecom		177.24		
2/28/2008	8295	758.96	Hawkeye Tri-County Electric	758.96			
2/28/2008	8294	1,683.91	Alliant Energy	1,683.91			
3/5/2008	8310	119.70	Iowa Telecom		119.70		
4/3/2008	8370	45.95	Mediacom	45.95			
4/3/2008	8371	51.90	Iowa Telecom		51.90		
4/14/2008	8381	180.93	Iowa Telecom		180.93		
4/28/2008	8382	210.11	HSBC Card Services				210.11
5/12/2008	8411	229.69	Iowa Telecom		229.69		
5/20/2008	8413	183.00	Iowa League of Cities				183.00
5/12/2008	8412	8.95	Cresco Shopper Inc.				8.95
6/10/2008	8457	45.95	Mediacom	45.95			
6/17/2008	8461	181.58	Iowa Telecom		181.58		
6/16/2008	8459	49.95	Brandi Petsche				49.95

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT C  
 CHECKS NOT SIGNED BY MAYOR - DETAIL  
 July 1, 2006 - September 30, 2009

Checks which were not signed by the Mayor, but had his name on the signature line.

Date	Check #	Amount	Payee	COUNCIL APPROVED	ADD'L OR DUPLICATE CK TO VENDOR	AMOUNT NOT EQUAL TO APPROVAL	OTHER UNAUTHORIZED
6/16/2008	8460	67.50	North Central IA Regional DIV				67.50
7/7/2008	8518	204.93	Cresco Shopper Inc.				204.93
7/28/2008	8535	180.54	Iowa Telecom		180.54		
8/7/2008	8584	101.28	Cresco Shopper Inc.				101.28
8/27/2008	8599	409.63	HSBC Card Services				409.63
8/27/2008	8600	126.00	Postmaster				126.00
9/1/2008	8602	2,321.86	Alliant Energy	2,321.86			
9/1/2008	8601	1,057.42	Hawkeye Tri-County Electric	1,057.42			
9/15/2008	8603	2,372.54	C US Bank	2,372.54			
9/29/2008	8630	126.00	Postmaster				126.00
9/29/2008	8633	180.09	Iowa Telecom		180.09		
10/2/2008	8635	2,265.65	Alliant Energy	2,265.65			
10/1/2008	8631	329.96	HSBC Card Services				329.96
10/6/2008	8634	869.03	Hawkeye Tri-County Electric	869.03			
10/14/2008	8662	63.40	Cresco Shopper Inc.				63.40
10/24/2008	8668	176.83	Iowa Telecom		176.83		
10/15/2008	8663	1,475.29	IPERS	1,475.29			
11/6/2008	8687	136.49	Iowa Telecom	136.49			
11/14/2008	8694	181.78	Iowa Telecom		181.78		
11/19/2008	8698	803.29	Hawkeye Tri-County Electric			803.29	
11/24/2008	8702	45.15	Hawkeye Tri-County Electric			45.15	
11/14/2008	8693	96.19	Cresco Shopper Inc.				96.19
11/19/2008	8697	30.00	Iowa League of Cities				30.00
12/23/2008	8721	12.00	Cresco Shopper Inc.				12.00
12/23/2008	8720	146.71	Iowa Telecom				146.71
12/23/2008	8722	180.68	Iowa Telecom		180.68		
		<u>22,240.27</u>		<u>13,169.82</u>	<u>2,602.92</u>	<u>848.44</u>	<u>5,619.09</u>
1/6/2009	8727	100.00	Brenda Roethler				100.00
1/21/2009	8749	21.70	Cresco Shopper Inc.				21.70
1/21/2009	8751	30.00	IA Municipal Finance Officers				30.00
1/21/2009	8748	186.30	Iowa Telecom		186.30		
1/21/2009	8750	11.00	Hygienic Laboratory				11.00
2/24/2009	8780	190.10	Iowa Telecom		190.10		
3/15/2009	8801	1,469.14	C US Bank	1,469.14			
3/11/2009	8800	54.21	Ashley Burnikel				54.21
3/27/2009	8803	25.95	Cresco Shopper Inc.				25.95
3/30/2009	8805	824.05	Hawkeye Tri-County Electric	824.05			
3/30/2009	8804	1,894.35	Alliant Energy	1,894.35			
4/1/2009	8808	6.00	Winn. Medical Center				6.00
5/8/2009	8831	296.19	Larry Gates				296.19
5/15/2009	8855	906.49	Hawkeye Tri-County Electric			906.49	

See Independent Accountant's Report

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT C  
 CHECKS NOT SIGNED BY MAYOR - DETAIL  
 July 1, 2006 - September 30, 2009

Checks which were not signed by the Mayor, but had his name on the signature line.

Date	Check #	Amount	Payee	COUNCIL APPROVED	ADD'L OR DUPLICATE CK TO VENDOR	AMOUNT NOT EQUAL TO APPROVAL	OTHER UNAUTHORIZED
5/15/2009	8854	396.42	Iowa Telecom		396.42		
5/15/2009	8856	3,402.57	Alliant Energy			3,402.57	
5/19/2009	8857	879.76	Hawkeye Tri-County Electric	879.76			
7/17/2009	8987	292.11	Iowa Telecom		292.11		
8/13/2009	9034	118.82	Iowa Telecom		118.82		
8/7/2009	9035	147.31	Iowa Telecom			147.31	
8/26/2009	9047	194.97	Iowa Telecom		194.97		
9/1/2009	9053	45.11	Tom Dague				45.11
9/10/2009	9072	45.54	Ostrander Farmers Coop				45.54
		<u>11,538.09</u>		<u>5,067.30</u>	<u>1,378.72</u>	<u>4,456.37</u>	<u>635.70</u>
Total		<u>63,806.96</u>		<u>29,285.28</u>	<u>8,082.00</u>	<u>18,106.75</u>	<u>8,332.93</u>

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT D  
 Community Center Checks signed only by Larry Gates  
 July 1, 2006 - September 30, 2009

Date	Check #	Amount	Payee	COUNCIL APPROVED	UNAUTHORIZED
6/30/2006	1086	540.00	Southside Monument		540.00
7/3/2006	1087	85.94	Ostrander Corner Store		85.94
7/7/2006	1088	69.24	Farm Plan		69.24
7/12/2006	1089	70.26	Ruppert's Ace Hardware		70.26
7/12/2006	1090	34.13	Fareway		34.13
7/18/2006	1091	10,000.00	City of Lime Springs		10,000.00
8/2/2006	1092	220.24	Ficks		220.24
8/9/2006	1093	37.94	Fareway		37.94
8/30/2006	1095	11.25	Fareway		11.25
8/28/2006	1094	174.80	Netherland Bulb Co.		174.80
9/5/2006	1096	7,000.00	City of Lime Springs (pool)		7,000.00
9/5/2006	1097	23.49	Ruppert's Ace Hardware		23.49
9/20/2006	1098	22.60	Fareway		22.60
10/4/2006	1099	33.02	Fareway		33.02
10/25/2006	1100	28.45	Fareway		28.45
11/2/2006	1102	39.98	Fareway		39.98
11/18/2006	1103	15.00	Fareway		15.00
11/22/2006	1104	140.77	City of Laundry Co.		140.77
12/2/2006	1105	427.99	Ruppert's Ace Hardware		427.99
12/26/2006	1106	224.00	Adirondack Direct		224.00
12/27/2006	1107	353.00	Adirondack Direct		353.00
1/1/2007	1108	100.00	Wanda ? (cleaning)		100.00
1/3/2007	1109	104.77	Cresco Building Service		104.77
2/8/2007	1110	385.20	Johnson Comfort Systems		385.20
3/7/2007	1111	226.71	Estate of George Clynch		226.71
3/29/2007	1112	43.35	Fareway		43.35
3/29/2007	1114	24.35	Kenny Gronwaldt		24.35
3/29/2007	1113	150.00	Amy Vaslemoen		150.00
4/18/2007	1115	65.83	Fareway		65.83
5/3/2007	1116	81.29	Plantpeddler		81.29
5/18/2007	1118	821.76	Northeast Iowa Appliance		821.76
5/18/2007	1119	11.95	Fareway		11.95
5/31/2007	1120	22.08	Ericks Rice		22.08
5/17/2007	1117	1,629.30	Thrivant Howard Cty Branch		1,629.30
6/6/2007	1121	46.44	Fareway		46.44
6/15/2007	1122	100.00	Larry Gates		100.00
7/5/2007	1123	15.95	Cresco Shopper		15.95

See Independent Accountant's Report

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT D  
 Community Center Checks signed only by Larry Gates  
 July 1, 2006 - September 30, 2009

Date	Check #	Amount	Payee	COUNCIL APPROVED	UNAUTHORIZED
7/6/2007	1124	55.63	Evans Printing		55.63
7/6/2007	1125	936.83	Library Expansion		936.83
7/24/2007	1127	27.76	Tony Roberts		27.76
7/31/2007	1128	23.50	Joyce Mahr		23.50
7/31/2007	1129	400.00	Bev Johnsen		400.00
8/2/2007	1130	131.56	City Laundry		131.56
8/7/2007	1131	25.00	Holly Ritchen		25.00
8/7/2007	1132	100.00	Larry Gates		100.00
8/8/2007	1133	128.40	Holstrom's Gift		128.40
8/9/2007	1134	17.12	Amy Roberts		17.12
8/15/2007	1135	340.50	Johnson Comfort Systems		340.50
8/21/2007	1136	30.80	Dorene Burnikel		30.80
8/29/2007	1137	353.10	Dave's Carpet Cleaning		353.10
8/31/2007	1138	44.99	Fareway		44.99
9/6/2007	1139	68.76	Bob's Electric		68.76
9/7/2007	1140	81.89	Ruppert's Ace Hardware	81.89	
9/7/2007	1141	22.76	Farm Plan		22.76
9/25/2007	1143	4.00	Evans Printing		4.00
9/25/2007	1142	150.00	Treasurer State of Iowa		150.00
10/2/2007	1144	43.50	Cresco Shopper		43.50
10/8/2007	1145	35.72	Spahn & Rose Lumber		35.72
10/8/2007	1146	63.83	Foremost Promotions		63.83
10/18/2007	1148	52.39	The Youtl's Co.		52.39
11/6/2007	1149	7,542.74	L.S. Firemens Aux	7,542.74	
11/13/2007	1150	17.98	Farm Plan		17.98
11/28/2007	1152	57.36	Fareway		57.36
12/3/2007	1153	92.02	Plantpeddler		92.02
12/3/2007	1154	178.00	Evans Printing	178.00	
12/7/2007	1155	7.82	Farm Plan		7.82
1/23/2008	1156	103.50	M. R. Enterprices		103.50
1/23/2008	1157	37.02	Fareway		37.02
1/29/2008	1158	49.40	Treasurer State of Iowa		49.40
2/5/2008	1159	44.97	Ruppert's Ace Hardware		44.97
3/6/2008	1160	30.25	Plantpeddler		30.25
3/7/2008	1161	150.80	City Laundry		150.80
3/7/2008	1162	34.32	Fareway		34.32
3/8/2008	1163	100.00	Plantpeddler		100.00

See Independent Accountant's Report

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT D  
 Community Center Checks signed only by Larry Gates  
 July 1, 2006 - September 30, 2009

Date	Check #	Amount	Payee	COUNCIL APPROVED	UNAUTHORIZED
4/1/2008	1164	7.64	Farm Plan		7.64
4/7/2008	1165	321.00	Dean's Carpet Cleaning		321.00
4/23/2008	1166	17.76	Fareway		17.76
5/12/2008	1167	1,470.00	Howard Branch Thrivant for Lutherans		1,470.00
5/15/2008	1168	212.44	Kingsley Mercantile		212.44
5/19/2008	1169	130.00	Mike Eickhoff		130.00
5/22/2008	1170	20.51	Fareway		20.51
5/22/2008	1171	31.93	Koppen Hardware		31.93
5/20/2008	1172	1,174.97	O'Henry's		1,174.97
6/9/2008	1173	380.78	Dusty Burnikel		380.78
6/12/2008	1174	93.97	Michelle Bakken		93.97
6/27/2008	1176	33.01	Fareway		33.01
6/20/2008	1175	1,103.85	Larry Gates (office furniture)		1,103.85
7/3/2008	1177	1,576.26	O'Henry's		1,576.26
7/31/2008	1178	142.26	City Laundry		142.26
8/14/2008	1179	29.98	Koppen Hardware		29.98
8/20/2008	1181	14.22	Fareway		14.22
9/1/2008	1182	84.00	James Lepa		84.00
9/2/2008	1183	13.90	Tony Roberts		13.90
9/16/2008	1184	255.00	Cresco Park & Rec		255.00
9/23/2008	1186	300.00	Dean's Carpet Cleaning		300.00
9/24/2008	1187	26.89	Fareway		26.89
9/24/2008	1185	354.00	Hi-Tek Electric		354.00
9/11/2008	1188	25.00	Holly Ritchen		25.00
11/12/2008	1189	227.00	Charlene Gates		227.00
11/13/2008	1190	651.91	Hi-Tek Electric		651.91
11/29/2008	1191	20.82	Fareway		20.82
12/15/2008	1192	1,522.16	C US Bank	1,522.16	
12/23/2008	1193	16.16	Farm Plan		16.16
1/28/2009	1194	5.55	Fisk Farm		5.55
1/29/2009	1195	12.84	Charlene Gates		12.84
2/3/2009	1196	79.97	Farm Plan		79.97
2/5/2009	1197	39.47	Koppen Hardware		39.47
2/13/2009	1198	100.00	Senior Citizen's		100.00
2/18/2009	1199	13.73	Fareway		13.73
3/5/2009	1200	142.26	City Laundry		142.26
3/13/2009	1201	147.00	Hi-Tek Electric		147.00

See Independent Accountant's Report

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT D  
 Community Center Checks signed only by Larry Gates  
 July 1, 2006 - September 30, 2009

Date	Check #	Amount	Payee	COUNCIL APPROVED	UNAUTHORIZED
3/5/2009	1202	100.00	Larry Gates		100.00
3/16/2009	1203	16.24	Fareway		16.24
3/20/2009	1204	39.04	Fisk Farm		39.04
5/13/2009	1205	50.00	L S J CC		50.00
5/13/2009	1206	64.98	City of Lime Springs		64.98
6/4/2009	1207	866.61	O'Henry's		866.61
6/4/2009	1208	364.54	Heather Thomas		364.54
6/22/2009	1209	84.49	Amy Hayes		84.49
7/6/2009	1211	14.77	Fareway		14.77
7/8/2009	1212	789.90	O'Henry's		789.90
7/8/2009	1213	33.99	Bobby Stockand		33.99
7/9/2009	1214	4.26	Mary B.		4.26
7/9/2009	1215	9.07	Ruppert's Ace Hardware		9.07
7/10/2009	1216	2,266.85	Johnson Comfort Systems		2,266.85
7/10/2009	1217	35.64	Farm Plan		35.64
7/16/2009	1218	213.39	City Laundry		213.39
7/27/2009	1219	110.00	Michelle Bakken		110.00
7/28/2009	1223	211.91	United Labs		211.91
7/28/2009	1221	8,640.57	City of Lime Springs		8,640.57
7/28/2009	1222	1,975.00	Browns Park Project		1,975.00
7/28/2009	1225	27.46	Farm Plan		27.46
7/19/2009	1226	157.00	Hi-Tek Electric		157.00
8/4/2009	1227	25.00	Browns Park Project		25.00
8/20/2009	1228	321.00	Dean's Carpet Cleaning		321.00
		<u>62,185.25</u>		<u>9,324.79</u>	<u>52,860.46</u>

CITY OF LIME SPRINGS  
 AGREED UPON PROCEDURES - EXHIBIT E  
 UNAUTHORIZED PAYROLL DISBURSEMENTS

Payroll - there were unauthorized amounts added to the City Clerk's payroll for the years 2006 to 2008.  
 See below for the listing of amounts added by year:

Date	Payee	Gross Pay	FICA ER	IPERS ER	Total
1/1/2006	Larry Gates	\$ 200.00	\$ 15.30	\$ 11.50	\$ 226.80
2/1/2006	Larry Gates	200.00	15.30	11.50	226.80
3/1/2006	Larry Gates	200.00	15.30	11.50	226.80
4/1/2006	Larry Gates	200.00	15.30	11.50	226.80
5/1/2006	Larry Gates	200.00	15.30	11.50	226.80
6/1/2006	Larry Gates	200.00	15.30	11.50	226.80
7/1/2006	Larry Gates	200.00	15.30	11.50	226.80
8/1/2006	Larry Gates	200.00	15.30	11.50	226.80
9/1/2006	Larry Gates	200.00	15.30	11.50	226.80
10/1/2006	Larry Gates	200.00	15.30	11.50	226.80
11/1/2006	Larry Gates	200.00	15.30	11.50	226.80
12/1/2006	Larry Gates	200.00	15.30	11.50	226.80
Total unauthorized 2006 payroll		\$ 2,400.00	\$ 183.60	\$ 138.00	\$ 2,721.60
1/1/2007	Larry Gates	\$ 200.00	\$ 15.30	\$ 11.50	\$ 226.80
2/1/2007	Larry Gates	200.00	15.30	11.50	226.80
3/1/2007	Larry Gates	200.00	15.30	11.50	226.80
4/1/2007	Larry Gates	200.00	15.30	11.50	226.80
5/1/2007	Larry Gates	200.00	15.30	11.50	226.80
6/1/2007	Larry Gates	200.00	15.30	11.50	226.80
7/1/2007	Larry Gates	200.00	15.30	11.50	226.80
8/1/2007	Larry Gates	200.00	15.30	11.50	226.80
9/1/2007	Larry Gates	300.00	22.95	17.25	340.20
10/1/2007	Larry Gates	200.00	15.30	11.50	226.80
11/1/2007	Larry Gates	300.00	22.95	17.25	340.20
12/1/2007	Larry Gates	300.00	22.95	17.25	340.20
Total unauthorized 2007 payroll		\$ 2,700.00	\$ 206.55	\$ 155.25	\$ 3,061.80
1/1/2008	Larry Gates	\$ 300.00	\$ 22.95	\$ 17.25	\$ 340.20
2/1/2008	Larry Gates	300.00	22.95	17.25	340.20
3/1/2008	Larry Gates	300.00	22.95	17.25	340.20
4/1/2008	Larry Gates	300.00	22.95	17.25	340.20
5/1/2008	Larry Gates	300.00	22.95	17.25	340.20
6/1/2008	Larry Gates	300.00	22.95	17.25	340.20
7/1/2008	Larry Gates	300.00	22.95	17.25	340.20
8/1/2008	Larry Gates	300.00	22.95	17.25	340.20
9/1/2008	Larry Gates	300.00	22.95	17.25	340.20
10/1/2008	Larry Gates	300.00	22.95	17.25	340.20
11/1/2008	Larry Gates	300.00	22.95	17.25	340.20
12/1/2008	Larry Gates	300.00	22.95	17.25	340.20
Total unauthorized 2008 payroll		\$ 3,600.00	\$ 275.40	\$ 207.00	\$ 4,082.40
Total unauthorized 2006-2008 payroll		\$ 8,700.00	\$ 665.55	\$ 500.25	\$ 9,865.80

See Independent Accountant's Report

CITY OF LIME SPRINGS  
AGREED UPON PROCEDURES - EXHIBIT F  
UNAUTHORIZED PAYROLL DISBURSEMENTS

Payroll

We traced the payroll checks issued to the the City Clerk listed on the general ledger for 2002 and 2003 to the bank statements for those years. It appears there are several checks issued in addition to his normal monthly salary. See the listing below:

Date	Check #	Payee	Gross Pay	FICA ER	IPERS ER	Total
10/08/02	4623	Larry Gates	\$ 1,770.83	\$ 135.47	\$ 101.82	\$ 2,008.12
4/07/03	4952	Larry Gates	1,770.83	135.47	101.82	2,008.12
10/15/03	5382	Larry Gates	1,916.67	146.62	110.21	2,173.50
			<u>\$ 5,458.33</u>	<u>\$ 417.56</u>	<u>\$ 313.85</u>	<u>\$ 6,189.74</u>

CITY OF LIME SPRINGS  
AGREED UPON PROCEDURES - EXHIBIT G  
UNDEPOSITED FUNDS FROM UTILITY BILLINGS

Receipts

We compared utility billing receipts listed on the Quickbooks software with deposits to the bank account. See the attached list for receipts listed on the Quickbooks software for which no bank deposit was found.

Total receipts for which no deposit was found listed by fiscal year:

7/1/08 - 6/30/09	\$ 4,377.19
7/1/07 - 6/30/08	\$ 5,755.30
7/1/06 - 6/30/07	<u>\$ 4,971.76</u>
	<u>\$ 15,104.25</u>

## CITY OF LIME SPRINGS

## Undeposited Funds

6/30/08-6/30/09

## EXHIBIT G

Date	Received From	Amount
7/1/08	Sharee Melver	20.00
7/6/08	Mike Balvanz	50.00
7/8/08	Kevin & Melissa Bill	36.62
7/21/08	Kerry Haggard	60.00
7/29/08	Renae Anderson	19.73
8/1/08	Mike & Dawn Brown	100.00
8/6/08	Wanda Knutson	60.00
8/6/08	Kevin & Melissa Bill	55.86
8/12/08	Kyle Winkels	30.32
8/12/08	Karmin Shroyer	47.00
8/26/08	Marc & Kayleen Stockman	141.94
8/31/08	Wanda Knutson	30.00
9/3/08	Sharee Melver	20.00
9/9/08	Jon Lieder	200.00
9/15/08	Renae Anderson	40.11
9/16/08	Kyle Winkels	30.32
9/18/08	Wanda Knutson	105.49
9/18/08	Brandon Hummel	130.32
9/27/08	Tank & Tummy	140.00
9/27/08	Brandon Losee	96.00
10/3/08	Brandon Losee	50.00
10/5/08	Wanda Knutson	39.10
10/6/08	Dean Ferrie	32.00
10/15/08	Kyle Winkels	30.32
10/16/08	Brandon Hummel	29.22
10/19/08	Kerry Haggard	100.00
10/21/08	Mike & Dawn Brown	200.00
10/26/08	Mike & Dawn Brown	185.00
11/6/08	Carl Ness	31.24
11/6/08	Wanda Knutson	37.07
11/18/08	Kyle Winkels	30.32
11/21/08	Kerry Haggard	154.07
12/3/08	Tank & Tummy	188.75
12/3/08	Kerry Haggard	42.00
12/3/08	Brandon Hummel	40.00
1/6/09	Mike & Dawn Brown	200.00
1/8/09	Wanda Knutson	65.00
1/8/09	Kelly Jenkins	200.00
1/28/09	Brandon Hummel	80.00
2/5/09	Wanda Knutson	30.00
2/5/09	Karmin Shroyer	40.00
2/23/09	Mike Balvanz	150.00
2/26/09	Kevin & Melissa Bill	33.24
3/12/09	Kevin & Melissa Bill	32.90

See Independent Accountant's Report

**EXHIBIT G**

3/12/09	Kerry Haggard	23.00
3/17/09	Wanda Knutson	44.00
3/20/09	Jonathan Jantzen	50.00
3/24/09	Renae Anderson	200.00
4/15/09	Wanda Knutson	43.00
4/24/09	White Laundromat	200.00
5/12/09	Kevin & Melissa Bill	33.25
5/14/09	Neil Klingshiem	300.00
5/21/09	Mike Balvanz	50.00
		<hr/>
		4,377.19
		<hr/>

## CITY OF LIME SPRINGS

## Undeposited Funds

6/30/07-6/30/08

Date	Received From	Amount
7/9/07	Brandy Petsche	80.00
7/11/07	Wanda Knutson	25.00
7/16/07	Mike Balvanz	50.00
7/18/07	Tank & Tummy	261.40
8/3/07	Sharee Melver	40.00
8/16/07	Jon Lieder	200.00
8/16/07	Neverlyn Anderson	100.00
8/20/07	Rachelle Stockman	60.00
8/27/07	Kerry Haggard	50.00
8/28/07	Bob Mc Clary	17.85
9/4/07	Brandon Losee	100.00
9/4/07	Heather Knutson	50.00
9/4/07	Brandy Petsche	100.00
9/25/07	Karmin Shroyer	110.00
9/26/07	Tank & Tummy	127.39
9/28/07	Mike & Dawn Brown	25.00
10/1/07	Kerry Haggard	52.00
10/8/07	Jeff Harden	154.83
10/12/07	Mike & Dawn Brown	25.00
10/24/07	Kerry Haggard	70.00
10/31/07	Marc & Kayleen Stockman	35.23
10/31/07	Marc & Kayleen Stockman	14.77
11/1/07	Mike & Dawn Brown	120.00
11/2/07	Kyle Winkels	50.00
11/5/07	Sharee Melver	20.00
11/6/07	Kerry Haggard	61.00
11/9/07	Mike & Dawn Brown	40.00
11/13/07	Brandy Petsche	100.00
11/21/07	Corey Smith	32.04
11/23/07	Mike & Dawn Brown	30.00
11/30/07	Sharee Melver	20.00
12/3/07	Brandon Losee	50.00
12/4/07	Tank & Tummy	182.95
12/6/07	Mike & Dawn Brown	40.00
12/7/07	Brandy Petsche	100.00
12/11/07	Kevin & Melissa Bill	16.02
12/19/07	Karmin Shroyer	40.00
1/18/08	Marc & Kayleen Stockman	80.00
1/22/08	Kerry Haggard	40.00
1/28/08	Brandy Petsche	100.00
2/1/08	Mike & Dawn Brown	50.00

See Independent Accountant's Report

**EXHIBIT G**

2/5/08	Brandon Losee	50.00
2/6/08	Kevin & Melissa Bill	26.48
2/7/08	Kyle Winkels	35.97
2/11/08	Marcia Wells	50.92
2/19/08	Wanda Knutson	100.00
2/29/08	Marc & Kayleen Stockman	100.00
3/3/08	Marc & Kayleen Stockman	40.20
3/6/08	Sharee Melver	25.00
3/6/08	Rex Tibbals	9.35
3/6/08	Wanda Knutson	20.00
3/7/08	Mike & Dawn Brown	100.00
3/7/08	Kerry Haggard	50.00
3/10/08	Marcia Wells	50.58
3/25/08	Art & Holly Kitchen	42.00
4/3/08	Marc & Kayleen Stockman	37.41
4/3/08	Mike Balvanz	60.00
4/14/08	Brandy Petsche	100.00
4/14/08	Tank & Tummy	260.00
4/16/08	Mel & Cindy Johnson	250.00
4/25/08	Mike & Dawn Brown	100.00
4/29/08	Kerry Haggard	80.00
5/5/08	Kevin & Melissa Bill	36.28
5/5/08	Sharee Melver	20.00
5/5/08	Dale Kitchen	34.03
5/15/08	Jon Lieder	420.00
5/16/08	Marc & Kayleen Stockman	42.81
5/28/08	Kerry Haggard	60.00
6/4/08	White Laundromat	250.00
6/4/08	Brandon Losee	100.00
6/20/08	Kyle Winkels	30.32
6/25/08	Karmin Shroyer	30.00
6/27/08	Mike & Dawn Brown	70.00
6/29/08	Renae Anderson	19.39
6/29/08	Tank & Tummy	134.08
		<u>5,755.30</u>

See Independent Accountant's Report

## CITY OF LIME SPRINGS

## Undeposited Funds

6/30/06-6/30/07

Date	Received From	Amount
7/6/06	Brandon Losee	78.37
7/14/06	Wanda Knutson	30.00
7/31/06	Wanda Knutson	25.00
8/4/06	Bob McClary	20.00
8/8/06	Sharee Mever	40.00
8/21/06	Wanda Knutson	50.00
8/21/06	Art & Holly Kitchen	68.69
9/7/06	Sharee Mever	45.00
9/8/06	Luke Fratzke	259.00
9/8/06	Brandon Losee	107.06
9/12/06	Mike & Dawn Brown	100.00
9/28/06	Bruce Hanke	200.00
10/2/06	Brandon Losee	32.67
10/3/06	Wanda Knutson	100.00
10/5/06	Jon Lieder	147.98
10/13/06	Sharee Mever	11.00
10/13/06	Kevin & Melissa Bill	26.84
10/17/06	Mike Balvanz	100.00
11/2/06	Brandon Losee	29.60
11/9/06	Jon Lieder	42.68
11/9/06	Marcia Wells	44.82
11/16/06	Bob McClary	20.00
11/17/06	Judy Stockand	150.00
12/3/06	Brandon Losee	27.76
12/18/06	Bruce Hanke	400.00
12/29/06	Sharee Mever	29.00
1/2/07	Brandon Losee	27.76
1/11/07	Wanda Knutson	25.00
1/16/07	Marcia Wells	44.21
1/23/07	Wanda Knutson	20.00
1/25/07	Wanda Knutson	20.00
2/1/07	Marcia Wells	45.13
2/1/07	Sharee Mever	28.00
2/8/07	Mike Balvanz	80.00
2/9/07	Corey Smith	220.00
2/16/07	Bruce Hanke	500.00
3/8/07	Marcia Wells	45.75
3/9/07	Judy Stockand	200.00
3/14/07	Sharee Mever	55.00
4/13/07	Jon Lieder	140.00
5/1/07	Melissa Farmer	100.00

See Independent Accountant's Report

**EXHIBIT G**

5/3/07	Kevin & Melissa Bill	23.77
5/4/07	Brandon Losee	131.30
5/6/07	Balk Lime/David Lepa	100.00
5/6/07	Marcia Wells	42.37
5/16/07	Judy Engelhart	630.12
5/16/07	Mike Balvanz	169.88
5/18/07	Wanda Knutson	30.00
5/18/07	Sharee Melfer	28.00
6/10/07	Mike & Dawn Brown	25.00
6/11/07	Rachelle Stocman	35.00
6/13/07	Mike & Dawn Brown	<u>20.00</u>
	Total	<u><u>4,971.76</u></u>

## EXHIBIT H

CITY OF LIME SPRINGS  
GARBAGE, SEWER, AND WATER INCOME COMPARISON  
JULY 1, 2006 TO JUNE 30, 2009

		<u>Jul '06 - Jun 07</u>	<u>Jul '07 - Jun 08</u>	<u>Jul '08 - Jun 09</u>	<u>TOTAL</u>
GARBAGE FEES PER CUMULATIVE GENERAL LEDGER	*	41,805.68	40,683.37	40,822.70	123,311.75
10% FUEL SURCHARGE PER CUMULATIVE GENERAL LEDGER	**	<u>4,179.97</u>	<u>4,436.79</u>	<u>4,144.48</u>	<u>12,761.24</u>
TOTAL GARBAGE INCOME PER CUMULATIVE GENERAL LEDGER		<u>45,985.65</u>	<u>45,120.16</u>	<u>44,967.18</u>	<u>136,072.99</u>
GARBAGE INCOME PER QUICKBOOKS		43,004.09	43,547.66	41,785.65	128,337.40
10% FUEL SURCHARGE INCOME PER QUICKBOOKS		0.00	1,366.74	2,776.89	4,143.63
FUEL SURCHARGE INCOME PER QUICKBOOKS		<u>4,291.96</u>	<u>2,974.36</u>	<u>1,413.48</u>	<u>8,679.80</u>
TOTAL GARBAGE INCOME PER QUICKBOOKS		<u>47,296.05</u>	<u>47,888.76</u>	<u>45,976.02</u>	<u>141,160.83</u>
GARBAGE INCOME VARIANCE		<u>(1,310.40)</u>	<u>(2,768.60)</u>	<u>(1,008.84)</u>	<u>(5,087.84)</u>
SEWER INCOME PER CUMULATIVE GENERAL LEDGER		38,113.80	38,930.31	37,984.45	115,028.56
SEWER INCOME PER QUICKBOOKS		<u>38,925.90</u>	<u>40,905.20</u>	<u>38,238.44</u>	<u>118,069.54</u>
SEWER INCOME VARIANCE		<u>(812.10)</u>	<u>(1,974.89)</u>	<u>(253.99)</u>	<u>(3,040.98)</u>
WATER INCOME PER CUMULATIVE GENERAL LEDGER		36,763.29	38,166.68	37,156.28	112,086.25
WATER INCOME PER QUICKBOOKS		<u>37,445.32</u>	<u>39,859.35</u>	<u>36,630.78</u>	<u>113,935.45</u>
WATER INCOME VARIANCE		<u>(682.03)</u>	<u>(1,692.67)</u>	<u>525.50</u>	<u>(1,849.20)</u>
TOTAL VARIANCE		<u>(2,804.53)</u>	<u>(6,436.16)</u>	<u>(737.33)</u>	<u>(9,978.02)</u>

\* - There was a payment miscoded to this general ledger account which was removed for this calculation for FYE 2007.

\*\* - There were a payments miscoded to this general ledger account which were removed for this calculation for all years.

**EXHIBIT H**

City of Lime Springs  
Summary of Funds  
FYE 6/30/09, 6/30/08, 6/30/07

	6/30/09	6/30/08	6/30/07	
Total Revenue	334,241.52	339,448.77	339,787.93	
Plus Expense-Firestation	<u>21,275.00</u>	<u>21,615.00</u>	<u>35,119.94</u>	recorded as negative revenue (prin & int)
Corrected Total	355,516.52	361,063.77	374,907.87	
Total Expense	317,660.35	335,799.28	336,166.25	
Plus Expense-Firestation	<u>21,275.00</u>	<u>21,615.00</u>	<u>35,119.94</u>	recorded as negative revenue (prin & int)
Corrected Total	338,935.35	357,414.28	371,286.19	
<b>Net Income</b>	<b>16,581.17</b>	<b>3,649.49</b>	<b>3,621.68</b>	
Net Change in Cash	16,581.17	3,649.49	3,621.68	

Source: Larry's cumulative general ledger

See Independent Accountant's Report

City of Lime Springs  
Street Fund #06  
FYE 6/30/09, 6/30/08, 6/30/07

**EXHIBIT H**

			<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>
REVENUE					
	06-	331 Allotments-RUT	<u>49,162.52</u>	<u>50,299.34</u>	<u>45,638.09</u>
<b>TOTAL REVENUE</b>			<b>49,162.52</b>	<b>50,299.34</b>	<b>45,638.09</b>
EXPENSES					
Road	71- 06-	01 Salaries	154.43		
Use	71- 06-	20 Repairs	4,777.46	8,498.65	12,264.16
	71- 06-	30 Dust Control	1,183.95	850.33	2,240.00
	71- 06-	48 Utilities	2,489.80	2,997.95	2,657.23
	71- 06-	55 Misc	9,239.45	8,743.50	8,121.04
	71- 06-	60 Trees	765.00	1,250.00	600.00
	71- 06-	75 Const & Equip	12,344.61	8,131.11	8,577.48
		80 Bridge/Local			9,394.69
Snow	72- 06	01 Salaries			
	72- 06	03 Federal Tax	1,023.38	1,099.92	1,091.92
	72- 06	06 FICA	691.24	577.36	556.34
	72- 06	07 Medicare	139.82	134.92	130.06
	72- 06	09 State Tax	386.64	368.08	346.72
	72- 06	55 Misc	3,035.19	3,932.77	2,642.16
	72- 06	75 Const Equip	363.98		
	72- 06-	90 IPERS	<u>393.96</u>	<u>361.72</u>	<u>332.06</u>
<b>TOTAL EXPENSES</b>			<b>36,988.91</b>	<b>36,946.31</b>	<b>48,953.86</b>
<b>NET INCOME</b>			<b>12,173.61</b>	<b>13,353.03</b>	<b>(3,315.77)</b>
ASSETS					
	06-	111 Checking	12,173.61	13,353.03	(3,315.77)
	06-	133 Change in Cash	(12,173.61)	(13,353.03)	3,315.77

See Independent Accountant's Report

City of Lime Springs  
Debt Service Fund #11  
FYE 6/30/09, 6/30/08, 6/30/07

**EXHIBIT H**

	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>	
REVENUE				
11- 301 Debt Service	35,487.56	52,687.97	58,387.27	Includes expense
11- 361 Interest	(11,275.00)	(11,615.00)	(12,119.94)	Int pd-Firestation
11- 398 Operating Loan	<u>0.00</u>	<u>0.00</u>	<u>(13,000.00)</u>	Prin pd- CUSB
<b>TOTAL REVENUE</b>	<b>24,212.56</b>	<b>41,072.97</b>	<b>33,267.33</b>	
EXPENSES				
11- 11- 91 Principal	10,000.00	20,000.00	15,000.00	
11- 11- 92 Interest	<u>600.00</u>	<u>1,925.00</u>	<u>2,887.50</u>	
<b>TOTAL EXPENSES</b>	<b>10,600.00</b>	<b>21,925.00</b>	<b>17,887.50</b>	
<b>NET INCOME</b>	<b>13,612.56</b>	<b>19,147.97</b>	<b>15,379.83</b>	
ASSETS				
11- 111 Checking	13,612.56	19,147.97	15,379.83	
11- 133 Change in Cash	(13,612.56)	(19,147.97)	(15,379.83)	

City of Lime Springs  
Water Fund #51  
FYE 6/30/09, 6/30/08, 6/30/07

**EXHIBIT H**

	<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>
<b>REVENUE</b>			
51- 601 Water Fees	37,156.28	38,166.68	36,763.29
51- 614 Hook Up \$25	75.00	205.00	50.00
51- 388 Deposits \$75	<u>370.79</u>	<u>595.05</u>	<u>150.00</u>
<b>TOTAL REVENUE</b>	<b>37,602.07</b>	<b>38,966.73</b>	<b>36,963.29</b>
<b>EXPENSES</b>			
701- 51- 01 Salaries	7,037.22	6,864.02	6,674.72
701- 51- 03 Federal Tax	1,116.64	1,100.04	1,000.37
701- 51- 06 FICA	605.40	588.04	661.38
701- 51- 07 Medicare	141.57	137.56	133.29
701- 51- 09 State Withheld	386.68	367.96	346.64
701- 51- 48 Utilities	8,497.02	6,290.27	5,705.29
701- 51- 55 Operation & Maint	6,674.84	7,802.07	6,773.11
701- 51- 57 Supplies	1,292.34	655.22	313.04
701- 51- 58 Training	170.00	60.00	146.00
701- 51- 60 Postage	407.33	494.00	486.49
701- 51- 64 Repairs	4,829.02	9,949.97	14,423.00
701- 51- 70 IPERS	393.84	361.61	331.94
701- 51- 90 Misc (Insurance)	<u>2,275.18</u>	<u>1,560.72</u>	<u>1,663.38</u>
<b>TOTAL EXPENSES</b>	<b>33,827.08</b>	<b>36,231.48</b>	<b>38,658.65</b>
<b>NET INCOME</b>	<b>3,774.99</b>	<b>2,735.25</b>	<b>(1,695.36)</b>
<b>ASSETS</b>			
51- 111 Checking	3,774.99	2,735.25	(1,695.36)
51- 133 Change in Cash	(3,774.99)	(2,735.25)	1,695.36

See Independent Accountant's Report

City of Lime Springs  
Sewer Fund #52  
FYE 6/30/09, 6/30/08, 6/30/07

**EXHIBIT H**

			<u>6/30/09</u>	<u>6/30/08</u>	<u>6/30/07</u>
<b>REVENUE</b>					
	52-	343 Sewer Fees	<u>37,984.45</u>	<u>38,930.31</u>	<u>38,113.80</u>
<b>TOTAL REVENUE</b>			<b><u>37,984.45</u></b>	<b><u>38,930.31</u></b>	<b><u>38,113.80</u></b>
<b>EXPENSES</b>					
	52-	52- 01 Salaries	6,926.74	6,703.03	6,474.32
	52-	52- 03 Federal Tax	1,116.64	1,100.04	1,092.04
	52-	52- 06 FICA	597.98	577.24	556.26
	52-	52- 07 Medicare	139.84	135.04	130.14
	52-	52- 08 IPERS	393.84	361.61	331.94
	52-	52- 09 State Withheld	386.68	367.96	346.64
	52-	52- 16 Sewer Local	13,106.10	13,106.10	13,106.10
	52-	52- 48 Utilities	11,333.38	10,953.38	10,354.67
	52-	52- 55 Operation & Maint	4,932.44	7,776.88	5,863.70
	52-	52- 56 Postage	407.34	494.00	472.00
	52-	52- 57 Supplies	12,001.15	8,909.30	10,167.80
	52-	52- 58 Repairs	913.98	1,024.37	638.00
	52-	52- 60 Misc (Insurance)	<u>2,275.20</u>	<u>1,645.74</u>	<u>1,453.36</u>
<b>TOTAL EXPENSES</b>			<b><u>54,531.31</u></b>	<b><u>53,154.69</u></b>	<b><u>50,986.97</u></b>
<b>NET INCOME</b>			<b><u>(16,546.86)</u></b>	<b><u>(14,224.38)</u></b>	<b><u>(12,873.17)</u></b>
<b>ASSETS</b>					
	52-	111 Checking	(16,546.86)	(14,224.38)	(12,873.17)
	52-	133 Change in Cash	16,546.86	14,224.38	12,873.17

See Independent Accountant's Report

9:53 AM  
12/11/09  
Cash Basis

**CITY OF LIME SPRINGS UTILITY**  
**Profit & Loss**  
July 2006 through June 2009

**EXHIBIT H**

	Jul '06 - Jun 07	Jul '07 - Jun 08	Jul '08 - Jun 09	TOTAL
Ordinary Income/Expense				
Income				
FUEL SURCHARGE	4,291.96	2,974.36	1,413.48	8,679.80
PET LICENSE FEE	495.00	191.25	15.00	701.25
SALES	0.00	127.13	683.56	810.69
SALES-10% FUEL SURCHARGE	0.00	1,366.74	2,776.89	4,143.63
SALES-BUILDING PERMIT	0.00	200.00	0.00	200.00
SALES-CIG LICENSE	0.00	219.00	0.00	219.00
SALES-DEPOSITS	700.00	850.00	700.00	2,250.00
SALES-FINANCE CHARGES	0.00	0.94	0.00	0.94
SALES-GARBAGE	43,004.09	43,547.66	41,785.65	128,337.40
SALES-SEWER	38,925.90	40,905.20	38,238.44	118,069.54
SALES-SNOW REMOVAL	0.00	0.00	50.00	50.00
SALES-SPECIAL COUNCIL MEETING	0.00	200.00	0.00	200.00
SALES-STREET REPAIRS	0.00	12,779.80	0.00	12,779.80
SALES-WATER	37,445.32	39,859.35	36,630.78	113,935.45
Total Income	124,862.27	143,221.43	122,293.80	390,377.50
Expense				
Miscellaneous	-339.86	0.00	-111.14	-451.00
Total Expense	-339.86	0.00	-111.14	-451.00
Net Ordinary Income	125,202.13	143,221.43	122,404.94	390,828.50
Other Income/Expense				
Other Income	0.00	340.83	68.37	409.20
Total Other Income	0.00	340.83	68.37	409.20
Net Other Income	0.00	340.83	68.37	409.20
Net Income	125,202.13	143,562.26	122,473.31	391,237.70

CITY OF LIME SPRINGS UTILITY  
UTILITY BILLINGS TO THE CITY CLERK - EXHIBIT I

August 27, 2003 to October 31, 2009

Date	Num	Name	Amount	USAGE	METER	METER	USAGE	CALC	WATER	SEWER	GARBAGE	SURCHARGE	RECYCLING	TAX	TOTAL	DISCREPANCY
08/27/2003	1	554194-LARRY GATES	38.19			113,790										
09/29/2003	408	554194-LARRY GATES	45.53	690	113,790	114,480	690	5.9	13.9	17.8	13			0.83	45.53	0.00
10/28/2003	616	554194-LARRY GATES	35.74	370	114,480	114,850	370	2.7	10.7	11.4	13			0.64	35.74	0.00
11/27/2003	921	554194-LARRY GATES	36.66	400	114,850	115,250	400	3	11	12	13			0.66	36.66	0.00
12/31/2003	1128	554194-LARRY GATES	36.66	400	115,250	115,650	400	3	11	12	13			0.66	36.66	0.00
01/31/2004	1420	554194-LARRY GATES	36.77	400	115,650	116,050	400	3	11	12	13			0.77	36.77	0.00
02/29/2004	1627	554194-LARRY GATES	28.79	140	116,050	116,190	140	0.4	8.4	6.8	13			0.59	28.79	0.00
03/31/2004	1887	554194-LARRY GATES	34.01	310	116,190	116,500	310	2.1	10.1	10.2	13			0.71	34.01	0.00
04/30/2004	2132	554194-LARRY GATES	34.93	340	116,500	116,840	340	2.4	10.4	10.8	13			0.73	34.93	0.00
05/31/2004	2392	554194-LARRY GATES	36.46	390	116,840	117,230	390	2.9	10.9	11.8	13			0.76	36.46	0.00
06/30/2004	2648	554194-LARRY GATES	36.16	380	117,230	117,610	380	2.8	10.8	11.6	13			0.76	36.16	0.00
07/30/2004	2900	554194-LARRY GATES	41.38	550	117,610	118,460	850	7.5	15.5	21	13			1.09	50.59	9.21
08/31/2004	3160	554194-LARRY GATES	39.53	490	118,460	118,950	490	3.9	11.9	13.8	13			0.83	39.53	0.00
09/30/2004	3415	554194-LARRY GATES	36.16	380	118,950	119,330	380	2.8	10.8	11.6	13			0.76	36.16	0.00
10/29/2004	3672	554194-LARRY GATES	44.75	660	119,330	119,990	660	5.6	13.6	17.2	13			0.95	44.75	0.00
11/30/2004	3933	554194-LARRY GATES	27.56	40	119,990	120,030	40 min		8	6	13			0.56	27.56	0.00
12/31/2004	4171	554194-LARRY GATES	33.70	300	120,030	120,330	300	2	10	10	13			0.70	33.70	0.00
01/31/2005	4424	554194-LARRY GATES	34.31	320	120,330	120,650	320	2.2	10.2	10.4	13			0.71	34.31	0.00
02/28/2005	4679	554194-LARRY GATES	38.00	440	120,650	121,090	440	3.4	11.4	12.8	13			0.80	38.00	0.00
03/31/2005	4928	554194-LARRY GATES	33.70	300	121,090	121,390	300	2	10	10	13			0.70	33.70	0.00
04/29/2005	5180	554194-LARRY GATES	34.62	330	121,390	121,720	330	2.3	10.3	10.6	13			0.72	34.62	0.00
05/31/2005	5433	554194-LARRY GATES	35.24	350	121,720	122,070	350	2.5	10.5	11	13			0.74	35.24	-0.01
06/30/2005	5687	554194-LARRY GATES	38.00	440	122,070	122,810	740	6.4	14.4	18.8	13			1.01	47.21	9.21
07/31/2005	5942	554194-LARRY GATES	42.30	580	122,810	123,390	580	4.8	12.8	15.6	13			0.90	42.30	0.00
08/31/2005	6193	554194-LARRY GATES	36.16	380	123,390	123,770	380	2.8	10.8	11.6	13			0.76	36.16	0.00
09/30/2005	6446	554194-LARRY GATES	37.15	370	123,770	124,140	370	2.7	10.7	11.4	13	1.3		0.75	37.15	0.00
10/31/2005	6701	554194-LARRY GATES	38.07	400	124,140	124,540	400	3	11	12	13	1.3		0.77	38.07	0.00
11/30/2005	6946	554194-LARRY GATES	38.07	400	124,540	124,940	400	3	11	12	13	1.3		0.77	38.07	0.00
12/31/2005	7194	554194-LARRY GATES	38.07	400	124,940	125,340	400	3	11	12	13	1.3		0.77	38.07	0.00
01/31/2006	7437	554194-LARRY GATES	38.07	400	125,340	125,740	400	3	11	12	13	1.3		0.77	38.07	0.00
02/28/2006	7681	554194-LARRY GATES	38.07	400	125,740	126,140	400	3	11	12	13	1.3		0.77	38.07	0.00
03/31/2006	7925	554194-LARRY GATES	38.07	400	126,140	126,540	400	3	11	12	13	1.3		0.77	38.07	0.00
04/30/2006	8175	554194-LARRY GATES	35.00	300	126,540	126,840	300	2	10	10	13	1.3		0.70	35.00	0.00
05/31/2006	8424	554194-LARRY GATES	29.17	110	126,840	126,950	110	0.1	8.1	6.2	13	1.3		0.57	29.17	0.00
06/30/2006	8681	554194-LARRY GATES	48.51	740	126,950	127,690	740	6.4	14.4	18.8	13	1.3		1.01	48.51	0.00

CITY OF LIME SPRINGS UTILITY  
UTILITY BILLINGS TO THE CITY CLERK - EXHIBIT I

August 27, 2003 to October 31, 2009

Date	Num	Name	Amount	USAGE	METER	METER	USAGE	CALC	WATER	SEWER	GARBAGE	SURCHARGE	RECYCLING	TAX	TOTAL	DISCREPANCY
07/31/2006	8932	554194-LARRY GATES	48.51	740	127,690	128,430	740	6.4	14.4	18.8	13	1.3		1.01	48.51	0.00
08/31/2006	9184	554194-LARRY GATES	46.67	680	128,430	129,110	680	5.8	13.8	17.6	13	1.3		0.97	46.67	0.00
09/29/2006	9438	554194-LARRY GATES	40.22	470	129,110	129,580	470	3.7	11.7	13.4	13	1.3		0.82	40.22	0.00
10/31/2006	9692	554194-LARRY GATES	36.84	360	129,580	129,940	360	2.6	10.6	11.2	13	1.3		0.74	36.84	0.00
11/30/2006	9944	554194-LARRY GATES	44.82	620	129,940	130,560	620	5.2	13.2	16.4	13	1.3		0.92	44.82	0.00
12/31/2006	10193	554194-LARRY GATES	41.14	500	130,560	131,060	500	4	12	14	13	1.3		0.84	41.14	0.00
01/31/2007	10440	554194-LARRY GATES	38.07	400	131,060	131,460	400	3	11	12	13	1.3		0.77	38.07	0.00
02/28/2007	10689	554194-LARRY GATES	38.07	400	131,460	131,860	400	3	11	12	13	1.3		0.77	38.07	0.00
03/31/2007	10936	554194-LARRY GATES	30.40	150	131,860	132,010	150	0.5	8.5	7	13	1.3		0.60	30.40	0.00
04/30/2007	11187	554194-LARRY GATES	42.68	550	132,010	132,560	550	4.5	12.5	15	13	1.3		0.88	42.68	-0.01
05/31/2007	11439	554194-LARRY GATES	18.55	230	132,560	132,790	230	1.3	9.3	8.6	13	1.3		0.65	32.85	14.30
06/30/2007	11691	554194-LARRY GATES	25.00	440	132,790	133,230	440	3.4	11.4	12.8	13	1.3		0.80	39.30	14.30
07/31/2007	11946	554194-LARRY GATES	26.15	400	133,230	133,630	400	3	12.1	13.2	13	1.3		0.85	40.45	14.30
08/31/2007	12195	554194-LARRY GATES	38.64	770	133,630	134,670	1,040	9.4	19.14	27.28	13	1.3		1.34	62.06	23.42
09/30/2007	12445	554194-LARRY GATES	36.95	720	134,670	135,390	720	6.2	15.62	20.24	13	1.3		1.09	51.25	14.30
10/31/2007	12700	554194-LARRY GATES	22.77	300	135,390	135,690	300	2	11	11	13	1.3		0.77	37.07	14.30
11/30/2007	12972	554194-LARRY GATES	27.16	430	135,690	136,120	430	3.3	12.43	13.86	13	1.3		0.87	41.46	14.30
12/31/2007	13272	554194-LARRY GATES	26.15	400	136,120	136,520	400	3	12.1	13.2	13	1.3		0.85	40.45	14.30
01/31/2008	13478	554194-LARRY GATES	26.15	400	136,520	136,920	400	3	12.1	13.2	13	1.3		0.85	40.45	14.30
02/29/2008	13712	554194-LARRY GATES	26.15	400	136,920	137,320	400	3	12.1	13.2	13	1.3		0.85	40.45	14.30
03/31/2008	30809	554194-LARRY GATES	25.47	380	137,320	137,700	380	2.8	11.88	12.76	13	1.3		0.83	39.77	14.30
04/30/2008	31057	554194-LARRY GATES	25.47	380	137,700	138,080	380	2.8	11.88	12.76	13	1.3		0.83	39.77	14.30
05/31/2008	31309	554194-LARRY GATES	33.91	630	138,080	138,710	630	5.3	14.63	18.26	13	1.3		1.02	48.21	14.30
06/30/2008			0.00		138,710	139,380	670	5.7	15.07	19.14	13	1.3		1.05	49.56	49.56
07/31/2008			0.00		139,380	140,330	950	8.5	18.15	25.3	13	1.3		1.27	59.02	59.02
08/31/2008			0.00		140,330	141,230	900	8	17.6	24.2	13	1.3		1.23	57.33	57.33
09/30/2008			0.00		141,230	143,500	2,270	21.7	32.67	54.34	13	1.3		2.29	103.60	103.60
10/31/2008	32487	554194-LARRY GATES	22.77	300	143,500	145,800	2,300	22	33	55	13	1.3		2.31	104.61	81.84
11/30/2008	32735	554194-LARRY GATES	22.77	300	145,800	146,100	300	2	11	11	13	1.3		0.77	37.07	14.30
12/31/2008	32985	554194-LARRY GATES	22.77	300	146,100	146,400	300	2	11	11	13	1.3		0.77	37.07	14.30
01/31/2009	33230	554194-LARRY GATES	26.15	400	146,400	146,800	400	3	12.1	13.2	13	1.3		0.85	40.45	14.30
02/28/2009	33484	554194-LARRY GATES	26.15	400	146,800	147,200	400	3	12.1	13.2	13	1.3		0.85	40.45	14.30
03/31/2009	33724	554194-LARRY GATES	26.15	400	147,200	147,600	400	3	12.1	13.2	13	1.3		0.85	40.45	14.30
04/30/2009			0.00				100	0	8.8	6.6	13	1.3		0.62	30.32	30.32
05/31/2009			0.00				100	0	8.8	6.6	13	1.3		0.62	30.32	30.32
06/30/2009			0.00				100	0	8.8	6.6	13	1.3		0.62	30.32	30.32
07/31/2009			0.00				100	0	8.8	6.6	13	1.3		0.62	30.32	30.32
08/31/2009			0.00				100	0	8.8	6.6	13	1.3		0.62	30.32	30.32
09/30/2009			0.00				100	0	8.8	6.6	13	1.3		0.62	30.32	30.32
10/31/2009			0.00												0.00	0.00
11/30/2009			213.91	3,790	147,600	151,390	3,790	36.9	64.79	96.58	39	0	9	4.54	213.91	-16.50
correcting entry for min charge Apr-Aug																0.00
Months not billed																752.93

Months not billed

See Independent Accountant's Report

CITY OF LIME SPRINGS  
AGREED UPON PROCEDURES – EXHIBIT J  
RECOMMENDED CONTROL PROCEDURES

As part of our procedures, we reviewed the procedures used by the City of Lime Springs to perform bank reconciliations and process receipts, disbursements, and payroll. An important aspect of internal control is to establish procedures that provide accountability for assets susceptible to loss from error and irregularities. These procedures provide that the actions of one individual will act as a check of those of another and provide a level of assurance that errors or irregularities will be noted within a reasonable time during the course of normal operations. Based on our findings and observations detailed below, the following recommendations are made to strengthen the City of Lime Spring's internal controls.

A. Segregation of Duties

An important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. The City Clerk had control over each of the following areas.

- (1) Receipts – collecting, depositing, journalizing and posting.
- (2) Disbursements – check preparation, distribution, and posting.
- (3) Payroll – preparation and distribution.
- (4) Financial records – reconciling bank balances to the City's records and comparing cancelled checks to recorded disbursements.
- (5) Utilities – billings, collections, deposits, posting to customer accounts, cash receipts journal, reconciliation of billings to collections and delinquent accounts.

In addition, bank statements were not reviewed by an official who does not collect or disburse City funds.

Recommendation

We realize segregation of duties is difficult with a limited number of office employees. However, the functions listed above should be segregated. In addition, Council Members should review financial records, perform reconciliations, and examine supporting documentation for accounting records on a periodic basis.

B. Disbursements

During our review of the City's disbursements for the period July 2006 through July 2009, we determined.

- (1) Certain disbursements including employee reimbursements were not supported by invoices or other documentation.
- (2) Certain disbursements were not approved by the Council and others were paid in amounts different than the approved amount. The City does not have a written disbursement approval policy allowing certain items to be paid prior to Council approval.
- (3) 2 signatures were not required for a check to be issued from the Community Center Account.

CITY OF LIME SPRINGS  
AGREED UPON PROCEDURES – EXHIBIT J  
RECOMMENDED CONTROL PROCEDURES

Recommendation

The Council should implement procedures to ensure all disbursements are supported by appropriate documentation, such as receipts, invoices or billing statements.

The Council should also consider adopting a written disbursement policy to allow payment of certain bills prior to Council approval. All City disbursements should be approved by the Council prior to disbursement with the exception of those specifically allowed by a policy. For those disbursements paid prior to Council approval, a listing should be provided to the Council at the next Council meeting for review and approval.

To strengthen internal controls, each check should be prepared and signed by one person and the supporting vouchers and invoices should be made available, along with the check, to the second or independent person for review and countersignature.

The City should implement the use of a standard form for use by all employees to be reimbursed for business expenses. This form along with all receipts should be required for approval by the City Council prior to payment. Also, no direct payments by the City of personal credit cards of employees should be allowed.

C. Utility Billings, Collections and Delinquencies

- (1) Utility billings, collections, and delinquent accounts were not reconciled. Also, utility collections could not be traced to deposit slips.

Recommendation

The Council should implement procedures to ensure utility billings, collections, and delinquencies are reconciled for each billing period. The Council should review the reconciliation and monitor delinquencies monthly.

D. Monthly Financial Reports

- (1) There was no evidence monthly financial reports which listed receipts, disbursements, fund and account balances with comparisons to budget were provided to the Council.

Recommendation

Monthly financial reports should be prepared and submitted to the Council for its review and approval. All reports should be retained. Comparisons to budget should be included in the financial reports to provide better control over budgeted disbursements and provide the opportunity for timely amendments to the budget.

E. Council Minutes

- (1) We found disbursements we believe should have been approved in the Council minutes, but were not. In addition some of the minutes of the Council meetings were not signed in accordance with Section 380.7 of the *Code of Iowa*.
- (2) The payroll amounts for full-time employees were not documented in the minutes.

CITY OF LIME SPRINGS  
AGREED UPON PROCEDURES – EXHIBIT J  
RECOMMENDED CONTROL PROCEDURES

Recommendation

The Council should implement procedures which ensure all disbursements are approved by the Council prior to payment. The minutes should be signed and the purpose of claims should be published as required.

All payroll amounts should be approved annually by the City Council and made part of the meeting minutes. Also, any additional pay for extra duties should also be subject to Council review and approval.

We believe the City should also consider the following general internal control procedures:

- Control the mail – In small government organizations, management should either personally pick up the mail, or have the mail picked up by an employee who has no responsibilities related to the handling or recording of deposits, accounts receivable records or revenues. All remittances from customers should be directed to a post office box. Limiting access to the entity's mail is essential in preventing the unauthorized negotiation of cash receipts.
- Control the bank statements – Similarly, the mayor should personally pick up the organization's bank statements directly from the bank, or have them picked up by a Council Member who has no related responsibilities. The Mayor or Council Member should review the contents of the statements before they are reconciled. Specific items that management should be alert to include:
  - Missing checks
  - Checks issued out of sequence
  - Unknown payees
  - Checks that appear to have been altered
  - Checks not signed by authorized signatories
  - Other unusual items
- Control the accounts receivable – Management should limit access to accounts receivable records, and in particular, the ability to issue credit memoranda, discounts and refunds. Accounts receivable detail ledgers should be balanced with the control account at regular intervals and any differences should be investigated promptly. City Council approval should be required to charge off accounts deemed uncollectible. Any discrepancies reported by customers should be investigated promptly. Aged accounts should be reviewed monthly and past due accounts investigated.
- Control the accounts payable – Establish and monitor approved vendor lists. The Mayor and Council should periodically review the list of approved vendors, being alert to:
  - Unknown vendors
  - Vendors with names similar to other known vendors
  - Vendors with no physical address or telephone number
  - Vendors whose addresses match employee addresses
- Limit the number of authorized check signers – If possible, only the Mayor and Mayor Pro Tem should be authorized to sign checks. If not possible, consider requiring two signatures on checks, at least those over a specified amount. The use of facsimile signatures should be avoided if at all possible. Never sign checks in blank. Review supporting documentation when checks are signed and investigate any discrepancies.
- Account for sequences – Whether it is checks, invoices, credit memoranda, receiving reports, shipping documents, or other prenumbered items, all sequences should be accounted for. Voided documents should be defaced to prevent unauthorized use and retained to complete sequences.

CITY OF LIME SPRINGS  
AGREED UPON PROCEDURES – EXHIBIT J  
RECOMMENDED CONTROL PROCEDURES

- Control general journal entries – Management should either make or personally review and approve all general journal entries. Supporting documentation should be reviewed before approving general journal entries. In particular, the following items should be investigated:
  - Entries made to unrelated accounts
  - Entries made to receivables or revenues at or near the close of a period
  - Entries made by persons whose responsibilities are not consistent with the accounts being adjusted
- Monitor exception reports – Unprocessed transactions should be carefully examined for propriety. This includes revenues, expenses, purchasing and payroll transactions.
- Require uninterrupted vacations for all employees and establish a schedule of rotation of employee responsibilities – More than just good management, rotation of duties provides a strong disincentive to commit fraud. In addition, it provides an opportunity to discover fraud that has already occurred.
- Be alert to changes in employee attitudes, behavior and lifestyles – Because of day-to-day contact, management is in the best position to observe the unusual – attitudes that are hostile or defensive toward management or the company in general, changes in behavior that are inconsistent with employees' normal disposition or lifestyles that are not reasonable based on the employees' level of compensation. Matters that may be of particular concern include:
  - Indications of dissatisfaction with compensation, lack of promotion
  - Indications of gambling
  - Indications of drug use or excessive use of alcohol
  - Indications of financial distress
  - Indications of infidelity
  - Indications of serious illness
  - Indications of excessive nervousness
  - Indications of severe stress
- Provide employees an opportunity to report the occurrence of fraud or other abuse anonymously – In a recent survey, one in five employees said they were personally aware of the occurrence of fraud in the workplace. Eighty percent said they would be willing to report fraud if they did not have to identify themselves. Management can establish hotlines, "suggestion boxes" or other means to enable employees to bring the occurrence of fraud to its attention without requiring employees to give their names.
- Clearly communicate to employees the behavior that is expected of them – Believe it or not, ignorance has been cited as a common cause of fraud. Some employees have been trained to commit fraudulent acts without knowing what they were doing, just assuming that "that's the way it's done".
- Cash receipts - The City should consider using a lock box to handle cash receipts of utility bills. The local bank could collect the money, make the deposits and send a listing of payments to the City. Also, any payments received in cash from customers should require issuing a cash receipt to the customer and the reconciliation of the cash receipts to the utility billing and bank account.
- Disbursement documentation - In many of the disbursements sighted, no supporting documentation was available to document the reason for the payment. A copy of the invoice, or a check request form containing a description of the purpose when there is no invoice, should be retained for each disbursement. We recommend this practice be initiated as soon as possible.
- Computer records - We noted the City computers in the Clerk's office contained information for unrelated entities. We recommend the City prohibit the use of City computers and other equipment for non-City purposes.